

**SINCAP GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201005161G  
(the “**Company**”))

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**QUALIFIED OPINION AND MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY  
INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2019**

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In compliance with Rule 704(5) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist, the Board of Directors (the “**Board**”) of Sincap Group Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) would like to announce that its independent auditors, Baker Tilly TFW LLP (the “**Auditors**”), have included a qualified opinion (the “**Qualified Opinion**”) and have indicated the existence of material uncertainties related to going concern (“**Material Uncertainty**”) on the financial statements of the Group for the financial year ended 31 December 2019 (“**FY2019**”) (the “**Financial Statements**”).

An extract of the nature and contents of the qualification and material uncertainty contained in the Independent Auditor’s Report is annexed to this announcement. The Independent Auditor’s Report and the FY2019 Financial Statements will form part of the Company’s Annual Report for FY2019 (the “**FY2019 Annual Report**”) which will be dispatched to the shareholders of the Company in due course.

The Qualified Opinion and Material Uncertainty largely arose out of the issues surrounding trade receivables due from a related party, Artwell Minerals Resources Pte Ltd (“**Artwell**”), to Orion Energy Resources Pte Ltd (“**Orion**”), as at 31 December 2019. Although the credit risk for Artwell has increased due to slow repayment, the Company, together with Board, have assessed and are of the view that no allowance for expected credit losses is necessary in FY2019 given that:

- i) Historical repayment trend of Artwell had been prompt in FY2018 and there were no receivables that were past due in FY2018;
- ii) Orion still managed to collect payment from Artwell up till November 2019;
- iii) Artwell has been forthcoming and cooperative in discussions in resolving the issue of repaying their debts;
- iv) Artwell has committed to a fixed minimum monthly repayment of US\$1 million under a repayment schedule starting 28 March 2020 (the “**Repayment Schedule**”) until the outstanding trade receivables balances (the “**Outstanding Amount**”) is settled in full. The outstanding amount bears an interest of 7.5% per annum;
- v) Orion has received USD1.6 million by 23 March 2020, which is beyond the amount stated in the Repayment Schedule of USD 1 million for March 2020;
- vi) The Company has done insolvency checks on Artwell, and there were no related outstanding bankruptcy/winding up petition found; and
- vii) Artwell’s sole shareholder and director is the brother of Sincap’s Chief Executive Officer (“**CEO**”), Mr. Chu Ming Kin (“**Ken**”). Ken has represented that he has maintained a very good relationship with Artwell and is very confident in recovering the outstanding amount from Artwell. The Audit Committee has accepted the CEO’s representation that there is no evidence of communication breakdown between Orion and Artwell.

As the credit risk for Artwell has increased, there is a possibility that Artwell might not adhere fully to the agreed Repayment Schedule. Although the Board has not made any assessment on the creditworthiness of Artwell, the Board is nevertheless confident that Artwell will make payment taking into consideration the factors disclosed above.

In addition, as Artwell has managed to meet the minimum repayment amount committed to under the Repayment Schedule for March 2020, at present, there is no indication that Artwell's ability to repay its debts has been adversely affected by Covid-19, especially when the current outbreak situation in China has stabilised and is gradually improving. Nevertheless, the Company is closely monitoring the development of the Covid-19 situation and has been in close contact with both the management and board of Artwell, in order to be responsive and will make necessary announcement accordingly.

In relation to the Material Uncertainty, the Auditors have indicated that in the event an allowance for expected credit losses are required on the trade receivables from Artwell, it may have an impact on the net current asset position of the Group and may indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern. Nonetheless, the Board and management of the Company are of the view that the Group has adequate resources to continue its operations as a going concern, based on the following assumptions:

- a) Amounts due from Artwell will be collected in accordance with the Repayment Schedule;
- b) Amounts due from Richardson 1 Pty Ltd ("**Richardson**") will be collected in accordance with a settlement agreement dated January 2019; and
- c) The Group will generate sufficient cash flows from their operations to meet current and future obligations.

The Board is of the view that the assumptions above are reasonable having considered the following:

- A. In relation to collection of the amounts due from Artwell, please refer to the reasons set out in paragraphs (i) to (vi) above in support of the Board's view that the receivables from Artwell will be recoverable.
- B. In relation to collection of the amounts due from Richardson, subsequent to the signing of the settlement agreement, all repayment up to date have been prompt. Further the debts from Richardson, if not repaid, will not by itself cause a going concern issue.
- C. The Executive Chairman and CEO of the Company, and some of the Company's shareholders have provided letters confirming that they are willing, and undertake to provide continuing financial support to the Group to enable it to operate as a going concern ("**Letters of undertaking**"). In relation to the Letters of Undertaking, despite that while no legal advice was sought on the legal effect on such letters, the Audit Committee was of the opinion that these letters received by the Company should be given consideration in assessing the going concern ability of the Company as the Executive Chairman and CEO, and shareholders mentioned above are substantial shareholders of the Company and their willingness to provide the letter of undertaking to the Company provides a degree of certainty that these shareholders will provide continuing financial support to the Group to enable it to operate as a going concern.

The Auditor's opinion is not further modified in respect of this matter.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the [Qualified Opinion and Material Uncertainty related to going concern by independent auditors, the situation relating to debts owing from Artwell to the Company], the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a name source, the sole responsibility of the Directors has been to ensure that such information has been accurately and properly extracted from those sources and/or reproduced in this announcement in its proper form and context.

Shareholders and potential investors are advised to carefully read this announcement and any further announcements made by the Company. Shareholders are also advised to exercise caution before making any decision in respect of their dealings in the Shares. Shareholders who are in any doubt about this announcement should consult their stockbroker, bank manager, solicitor or other professional adviser.

**BY ORDER OF THE BOARD**

Chu Ming Kin  
Chief Executive Officer and Executive Chairman  
15 April 2020

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Bernard Lui, Telephone: +65 6389 3000, Email: [bernard.lui@morganlewis.com](mailto:bernard.lui@morganlewis.com)*

## Extract of the Independent Auditor's Report

### **Qualified Opinion**

We have audited the accompanying financial statements of Sincap Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 69 to 107 which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### **Basis for Qualified Opinion**

#### **1 Trade receivables**

As disclosed in Note 14 to the financial statements, trade receivables due from a related party amounted to RMB225,290,000 (2018: nil) as at 31 December 2019. The directors of the Company are of the view that no allowance for expected credit losses ("ECL") of the trade receivable is necessary. We are, however, unable to obtain sufficient appropriate audit evidence to assess the reasonableness of management's ECL assessment on the receivables, to satisfy ourselves as to whether any allowance for ECL is required in accordance with SFRS(I) 9 Financial Instruments.

#### **2 Valuation of Bond**

The carrying value of the bond ("Bond") amounted to RMB12,928,000 (2018: RMB60,483,000) as at 31 December 2019. The Bond may be redeemed at the Company's option through cash payment and/or issuance of new fully paid issued ordinary shares of the Company based on the terms of the Bond agreement. The Group and the Company had measured and recorded the Bond at initial recognition based on its issue amount of S\$12,000,000 which is the equivalent of RMB60,483,000. Having considered the Company's option with respect to the redemption of the Bond, we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation and carrying value of the Bond at initial recognition and as at 31 December 2019 and the corresponding impact on diluted earnings per share as disclosed in Note 15 and Note 10 to the financial statements.

The financial statements for the financial year ended 31 December 2018 were qualified for the same reason as stated above.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 3(a) to the financial statements with respect to the Group's ability to continue as a going concern. As at 31 December 2019, the Group's net current asset position amounted to RMB218,948,000.

Current assets of the Group totalling RMB260,496,000 included a trade receivable due from a related party of RMB225,290,000 which is a matter included in the Basis for Qualified opinion section in this report. In the event that an allowance for ECL is required on this receivable, this may have an impact on the net current asset position of the Group and may indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern.

Nevertheless, for the reasons as disclosed in Note 3(a), the directors believe that the use of going concern assumption is appropriate for the preparation of the financial statements.

In the event that the Group is unable to continue as going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to the financial statements.

Our opinion is not further modified in respect of this matter.